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COMMISSION ON TRANSNATIONAL CORPORATIONS
Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Ninth session
5-15 March 1991
Agenda item 5

ADOPTION OF THE REPORT OF THE GROUP ON ITS NINTH SESSION

Draft report

Addendum

Rapporteur: G. G. M. BAK (Netherlands)

PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

C. Identification of accounting and reporting issues for discussion on a priority basis during future sessions

1. At its 11th meeting, on 12 March 1991, the Group identified the following issues for discussion during its tenth session:

(a) Accounting issues arising during privatization, including individual country case studies;

(b) Preparation of the topic for the 1993 session on education, training and the development of the profession in developing countries and countries in transition.

2. The Group agreed that any further work on environmental accounting, particularly the review of information disclosure in the reports of boards of directors, should be included in the report on global developments.

F. Appropriate measures to give effect to the work of the Group

G. Renewal of the mandate and review of the objectives of the Group

3. At its 7th, 9th and 10th meetings, on 8 and 11 March 1991, the Group had before it the report of the Secretary-General entitled "Appropriate measures to give effect to the work of the Group: renewal of the mandate of the Group" (E/C.10/AC.3/1991/9). The Executive Director of the Centre reviewed the objectives of the Group and its accomplishments. Among the various achievements he mentioned were the preparation of a number of useful technical reports (on consolidation and segmentation, intangibles, pension costs and environmental accounting and the report of the board of directors), the issuance of Conclusions on Accounting and Reporting by Transnational Corporations and Objectives and Concepts Underlying Financial Statements, the review of the use of international standards, the survey of accountancy development in Africa and the support for countries in the process of standard-setting through workshops and task forces. Nevertheless, he realized that the Group wanted to make changes in order to increase its effectiveness. In his opinion, such effectiveness depended on the availability of adequate resources, the attendance of experts on a regular basis and the desire to facilitate a fruitful exchange of views. Despite the fact that much had been accomplished, there was still much to be done in the way of the implementation of international accounting standards. The Group might promote the use of international accounting standards by supporting technical cooperation projects in the area of training, education, organization of the profession and creation of standard-setting bodies. Such technical cooperation projects could best be undertaken in conjunction with other international organizations. What was needed was a comprehensive and well developed technical cooperation programme.

4. The energizer for the Organisation for Economic Cooperation and Development (OECD) said that the Group was unique in that it was the only intergovernmental body considering accounting and reporting issues. It had served a useful purpose and achieved a great deal. He was of the opinion that the Group's mandate should be renewed, provided that the focus of the work changed. The Group should continue its work, avoiding duplication of the work of other organizations. He suggested a shift in orientation from discussion of technical accounting issues to technical cooperation. He was also of the opinion that it was not appropriate for the Centre to do fundamental research. He suggested that the Group change the pace of its sessions: it should meet every two years and in alternate years conduct a workshop on particular problems or on the problems of a particular region. It was understood that all members would be invited to attend such meetings.

5. Another expert, speaking on behalf of a large group of countries, said that the Group had only just begun to accomplish two of its objectives: to serve as a forum for the consideration of accounting and reporting issues and to support national and regional standard-setting. He stressed the importance of the Group, which was the only global intergovernmental body; others were either regional or non-governmental. Because the work of the Group was unique, it had more impact on developing countries since they relied on it when formulating their own standards.

With regard to the suggestion about alternating regular meetings with regional ones, he said that the Group had yet to hold the two regional meetings in Africa that had been agreed upon at the eighth session. He recommended meeting annually, but reducing the duration of the session to one week. He said that developing countries needed to participate in that forum on a regular basis because there was so much to be done in developing countries with regard to the development of standards. In addition, the topics that were of most interest to developing countries had yet to be successfully dealt with by the Group, including foreign currency translation and transfer pricing.

6. A number of experts from developing countries suggested that if regional meetings were deemed desirable, the Group should consider participating in the annual meetings of regional accounting associations. Using those regional meetings as a forum would be both cost-effective and the best way to have an impact on the region. They wanted to retain the annual session because they needed a global forum in which issues of a global nature could be discussed. They said that the United Nations was the proper forum and it should continue to be the focus of attention for developing countries. For other regions, such as that covered by OECD, the need for the United Nations was not so great; for developing countries, the United Nations was critical. Particularly important was its ability to conduct research in the areas of special interest to them. Activities should be expanded to include technical assistance in the area of standard-setting.

7. Another expert agreed that the mandate should be renewed. The Group should continue to consider accounting standards and to help countries in their use. He was of the opinion that one year might not be a significant time period when considering national accounting developments. Another expert said that the Group was the only intergovernmental group and it had a number of achievements to its credit. He wanted to retain the annual format because a number of countries were undergoing significant economic reforms, which had implications for accounting.

8. An expert from a developing country stressed that the intergovernmental character of the Group gave experts in developing countries a basis for initiating accounting reforms. He said that research should be the point of departure for the Group's work and that there was still much to be done that was of special interest to developing countries. He said that "accounting standards" were not neutral and that the special needs of developing countries had to be incorporated. In addition, the Group should continue its vanguard role in certain research areas, and should concretize its technical cooperation.

9. One expert then summarized the discussion: firstly, there was unanimous support for renewing the mandate; secondly, all agreed that the Group was important because it was an intergovernmental group; thirdly, many countries had special interests and the exchange of views was important to learn about developments in other countries; fourthly, there should be two types of sessions: regular sessions and those of a special nature, at which particular topics could be studied in depth.

10. An expert from a developed country said that since the Group was intergovernmental, its coverage was broader than that of other groups and its work complemented the work of other groups. The activities of non-governmental bodies

such as the International Accounting Standards Committee (IASC) could not substitute for the work of the Group. While he supported the proposal to meet every year for one week, he was flexible and would support a session every two years with alternate meetings on specific topics.

11. The observer for the International Confederation of Free Trade Unions (ICFTU), as one of the long-standing participants in the meetings of the Group, spoke of the Group's unique focus. It dealt with accounting and reporting by transnational corporations from the perspective of both home and host countries. It was also concerned with the impact of transnational corporations on the national and international community; other forums were not. Therefore, when the Group considered an accounting practice, it had a wider range of users in mind. Frequently that perspective was added when the Group arrived at conclusions on a given subject (for instance, accounting for inflation or accounting for research and development expenses).

12. A number of questions were raised about the Uruguay Round, particularly concerning the proposals for mutual recognition of accounting credentials and the use of international accounting standards. If adopted, both could diminish barriers to trade and investment flows in services. Several members of the Group asked what role the Group could play in reviewing and/or implementing those proposals. The representative of the Centre explained that the proposals would probably appear as recommendations within the general framework agreement of the General Agreement on Trades and Services (GATS). However, once GATS was accepted, the mechanics for implementing mutual recognition and use of international standards would be left to the signatories. (The Group might wish to involve itself at that stage. It was decided that any decision to involve itself should be discussed in conjunction with the renewal of the Group's mandate.)

13. One expert from a developed country stated that the Group might not be the most effective one to take up the task. Other experts from developing countries stated that this Group was the only group that should be involved, owing to its intergovernmental character. Some experts from developed countries indicated that it would be difficult to consider the role of the Group in the matter during the current session because the question was not on the agenda.

14. The observer for the Fédération internationale des experts-comptables francophones noted the importance of the Group and the annual meetings to the developing countries, especially those that were at the initial stage of accountancy development. The Group provided the only opportunity to close the gap between countries with advanced accounting environments and those with less sophisticated environments. The annual exchange of views was fundamental to that process.

15. The Executive Director of the Centre intervened in the debate, noting that the main recommendation, that is, giving consideration to global and regional issues, could best be thought of as having an impact on the structure of the Group's future agendas rather than on the place or pace of meetings. He thought that it would not be possible to separate research from technical cooperation since if technical cooperation efforts were to be well designed, they had to be founded on research.

The Centre combined both research and technical cooperation and had a long-standing interest in the area of information disclosure.

16. After discussing paragraphs 36 and 37 of document E/C.10/AC.3/1991/9, the Group did not adopt the mission statement outlined in the report. Instead, the Group arrived at the following conclusions:

(a) The mandate of the Group should be renewed;

(b) In order to make the work of the Group more effective, it was desirable to extend the duration of the mandate from a three-year to a five-year period so that regular sessions and sessions on specific subjects or on the problems of specific regions could be held in alternate years;

(c) The Group's sessions should be shortened from nine to seven working days;

(d) There should be a shift towards technical cooperation, particularly to meet the needs of developing countries and countries in transition in the development of the accounting profession and standard-setting.

17. The Group also decided to hold regular sessions in 1992 and 1994 and sessions on specific subjects in 1993 and 1995. In 1993, training and education needs in developing countries and countries in transition would be discussed. Topics for other such sessions would be the problems arising from the transition from state to private enterprises and environmental accounting.

18. At the ___ meeting, on ___ March, the Group adopted a draft decision (E/C.10/AC.3/1991/L.5), entitled "Renewal of the mandate and review of the objectives of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting", which had been submitted by the Rapporteur.

H. Ways and means of improving education, research and practical training in the field of accounting and reporting in member States

19. The Group considered agenda item 3 (h) at its 12th meeting, on 14 March 1991. The Centre reported that it had not been able to raise funds to hold the two regional meetings in Africa which the Group had requested during its eighth session. The study on accounting needs in Africa reviewed by the Group during its eighth session had been published and included profiles of the accounting environment in 37 countries. The Group requested the Centre to continue its efforts to organize the meetings and to work with regional and national accounting bodies, as well as other international organizations and departments within the United Nations Secretariat. The Centre should report any progress to the Group at its tenth session.